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GUSTE I, LLC
FINANCIAL STATEMENTS
For the year ended December 31, 2006
with
Report of Independent Auditors

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/24/08



**NOVOGRADAC
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

To the Members of
Guste I, LLC:

We have audited the accompanying balance sheet of Guste I, LLC as of December 31, 2006 and the related statements of operations, changes in members' capital and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guste I, LLC as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

July 19, 2007

GUSTE I, LLC
BALANCE SHEET
December 31, 2006

ASSETS

Cash and cash equivalents	\$ 3,539,253
Restricted cash	6,221,122
Prepaid Expenses	49,667
Construction in progress	11,533,331
Intangible assets, net of accumulated amortization	<u>469,367</u>
Total assets	<u><u>\$ 21,812,740</u></u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities	
Accounts payable	\$ 253,078
Contractor payable	1,377,687
Accrued interest	639,395
Deferred revenue	65,636
Due to related parties	8,370,970
Construction loan payable	248,999
Bond payable	<u>10,634,312</u>
Total liabilities	21,590,077
Members' equity	<u>222,663</u>
Total liabilities and members' equity	<u><u>\$ 21,812,740</u></u>

see accompanying notes

GUSTE I, LLC
STATEMENT OF OPERATIONS
For the year ended December 31, 2006

REVENUE	
Other income	<u>\$ 24,549</u>
Total revenue	24,549
OPERATING EXPENSES	
Ground lease	<u>\$ 943</u>
Total operating expenses	<u>943</u>
Net income	<u><u>\$ 23,606</u></u>

see accompanying notes

GUSTE I, LLC
STATEMENT OF CHANGES IN MEMBER'S EQUITY
For the year ended December 31, 2006

	<u>Managing Member</u>	<u>Investor Member</u>	<u>Total Members' Capital</u>
BALANCE, JANUARY 1, 2006	\$ (10)	\$ 199,067	\$ 199,057
Net income	<u>2</u>	<u>23,604</u>	<u>23,606</u>
BALANCE, DECEMBER 31, 2006	<u>\$ (8)</u>	<u>\$ 222,671</u>	<u>\$ 222,663</u>

see accompanying notes

GUSTE I, LLC
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2006

1. General

Guste I, LLC (the "Company"), a Louisiana limited liability company, was formed on December 11, 2003 to construct, develop and operate a 82-unit apartment project, known as Guste I Apartments (the "Project") in New Orleans, Louisiana. The Project is rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code.

The managing member is Lune d'Or Enterprises (the "Managing Member"). The investor member is MMA Guste I, LLC (the "Investor Member"). The special member is MMA Special Limited Partner, Inc. (the "Special Member"). The Company will operate until December 31, 2104, or until its earlier dissolution or termination.

Profits, losses, and tax credits are allocated in accordance with the Amended and Restated Operating Agreement, dated January 1, 2005 (the "Operating Agreement"). Profits and losses from operations and low-income housing tax credits in any one year are allocated 99.99% to the Limited Partners and 0.01% to the General Partners.

Pursuant to the Operating Agreement, the Investor Limited Partner is required to provide capital contributions to the Company totaling \$4,806,249, subject to adjustments based on the amount of low-income housing tax credits allocated to the Project in addition to other occurrences which are fully explained in the Operating Agreement. As of December 31, 2006, the Investor Member had provided total capital contributions in the amount of \$300,000.

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Company prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with maturities of three months or less at date of acquisition.

Concentration of credit risk

The Company places its temporary cash investments with high credit quality financial institutions. At times, the account balances may exceed the institutions' federally insured limits. The Company has not experienced any losses in such accounts.

GUSTE I, LLC
NOTES TO BALANCE SHEET
December 31, 2006

2. Summary of significant accounting policies and nature of operations (continued)

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the balance sheet and accompanying notes. Actual results could differ from those estimates.

Economic concentrations

The Company operates one property located in New Orleans, Louisiana. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Income taxes

No provision has been made for income taxes, since the income or loss of the Company is required to be included in the tax returns of the respective members.

Construction in progress

All activities of the Company currently relate to the construction of a 82-unit multi-family housing apartment complex to be rented to low-income tenants pursuant to Internal Revenue Code Section 42 ("Section 42"). The balance of construction in progress is comprised of costs incurred as of December 31, 2006, for the construction of the Project. As of December 31, 2006, construction in progress was \$11,533,331.

Intangible assets

Intangible assets include bond issuance costs of \$552,197. Bond issuance costs are amortized over the lives of the bonds. Intangible assets are amortized over the lives of the related debt agreements. During 2006, \$82,830 of amortization expense was capitalized and included in "Construction in progress" in the accompanying balance sheet. Accumulated amortization as of December 31, 2006, was \$82,830.

Impairment of long-lived assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. There were no impairment losses recognized during 2006.

GUSTE I, LLC
NOTES TO BALANCE SHEET
December 31, 2006

3. Restricted cash

Pursuant to the construction loan agreement between the Company and the Housing Authority of New Orleans ("HANO"), HANO established a cash collateral account which is used to deposit the proceeds of the construction loan. As of December 31, 2006, the balance of the restricted funds was \$6,221,122.

4. Contractor payable

The Company entered into a construction contract with Gibbs Construction, LLC, for a total value of \$10,067,570. As of December 31, 2006, \$404,844 of retainage payable had not been released and an additional \$972,843 was payable to the contractor under the construction contract. Both of these amounts remain outstanding as of December 31, 2006, and are included in "Contractor payable" in the accompanying balance sheet.

5. Operating deficit guaranty

Pursuant to the Amended and Restated Operating Agreement, if at any time the Company requires funds to discharge operating expenses, the Managing Members shall furnish to the Company the funds required. Amounts so furnished to fund operating expenses incurred prior to the Development Obligation Date shall be deemed Special Capital Contributions and amounts incurred on or after the Development Obligation Date shall constitute Operating Expense Loans. Any such Operating Expense Loans shall not bear interest and be repayable only as provided for in the Amended and Restated Operating Agreement.

6. Related party transactions

Due to related parties

HANO loaned the Company \$1,698,216 to pay for costs incurred during construction and development. The loan does not bear interest and is collateralized by the Project. Payments to HANO are payable from available cash flows from the project. As of December 31, 2006, principal of \$1,698,216 was outstanding and is included in "Due to related parties" in the accompanying balance sheet.

Crescent Affordable Housing Corporation loaned the Company \$77,199 to pay for costs incurred during construction and development. The loan does not bear interest and is collateralized by the Project. As of December 31, 2006, principal of \$77,199 was and is included in "Due to related parties" in the accompanying balance sheet.

GUSTE I, LLC
NOTES TO BALANCE SHEET
December 31, 2006

6. Related party transactions (continued)

In December 2003, the Company entered into a financing agreement with HANO to use the proceeds from the issuance of Capital Fund Program Revenue Bonds, ("the Bonds") for the construction and development of the Project and payment of bond redemption. The principal amount of the note was \$13,189,372. The Company received \$12,517,284 in its construction fund investment account. In January 2005, the Company entered into new a financing agreement in the amount of \$10,634,312 from HANO. The Company will reimburse HANO \$1,882,972 and any interest income earned thereon. As of December 31, 2006, principal of \$1,917,932 was outstanding and is included in "Due to related parties" in the accompanying balance sheet.

In November 2006, the Company obtained a supplemental loan in the total amount of \$2,939,498 from HANO. The supplemental loan does not bear interest. The entire amount of unpaid principal shall be due and payable on November 1, 2061. As of December 31, 2006, principal of \$2,939,498 was outstanding and is included in "Due to related parties" in the accompanying balance sheet.

During the year ended December 31, 2006, the Partnership incurred costs due to HANO. The advances related to miscellaneous costs associated with the construction of the Project. As of December 31, 2006, advances totaling \$925,665 were outstanding and are included in the "Due to related party" in the accompanying balance sheet.

Construction loan fee

Pursuant to the construction loan agreement, HANO receives a construction loan fee in an amount equal to 2% of the construction loan amount as outlined in the construction loan agreement. As of December 31, 2006, construction loan fee of \$212,687 was outstanding and is included in "Due to related parties" in the accompanying balance sheet.

Administrative fee

Pursuant to the administrative services fee agreement, the Company will reimburse a portion of HANO's additional administrative expenses incurred in providing advice and assistance with respect to coordinating intergovernmental participation in the Project in an amount not to exceed \$575,174. Fifty percent of the administrative services fee shall be payable in 17 monthly installments, beginning in February 2005. The first monthly installment was incurred in February 2005, in the amount of \$31,954. The next 16 monthly installments, were due and payable from March 2005 through and including June 2006, were incurred in the amount of \$15,977 each. Monthly installments were due and accrued to HANO before the last day of the relevant month. Fifty percent of the administrative fee was due and accrued in a balloon installment in the amount of \$287,587, on December 31, 2006. As of December 31, 2006, administrative fee of \$575,173 was outstanding and is included in "Due to related parties" in the accompanying balance sheet.

GUSTE I, LLC
NOTES TO BALANCE SHEET
December 31, 2006

6. Related party transactions (continued)

Company management fee

Pursuant to the Operating Agreement, the Managing Member receives a cumulative management fee, in the amount of \$12,300 per annum. As of December 31, 2006, a company management fee of \$24,600 was outstanding and is included in "Due to related parties" in the accompanying balance sheet.

7. Construction loan payable

In January 2005, the Company obtained a construction loan in the total amount of \$248,999 from HANO. The construction loan payable accrues interest on the outstanding balance at 3%. The entire amount of unpaid principal and interest shall be due and payable on January 31, 2060. During the year ended December 31, 2006, \$14,629 of interest expense was capitalized and included in "Construction in progress" in the accompanying balance sheet. As of December 31, 2006, principal of \$248,999 was outstanding and is included in "Construction loan payable" in the accompanying balance sheet. As of December 31, 2006 interest of \$14,629 was accrued.

8. Bonds payable

In December 2003, the Company entered into a financing agreement with HANO to use the proceeds from the issuance of Capital Fund Program Revenue Bonds, ("the Bonds") for the construction and development of the Project and payment of bond redemption. The principal amount of the note was \$13,189,372. The Company received \$12,517,284 in its construction fund investment account. In January 2005, the Company entered into new a financing agreement in the amount of \$10,634,312 from HANO. The Bonds bear interest annually at 3% and are collateralized by the Project. The entire amount of unpaid principal and interest shall be due and payable on August 1, 2007. During the year ended December 31, 2006, interest of \$319,029 was capitalized and included in "Construction in progress" in the accompanying balance sheet. As of December 31, 2006, bonds of \$10,634,312 and accrued interest of \$624,766 were outstanding.

9. Ground lease

On December 30, 2003, the Company entered into an 89-year Ground Lease (the "Ground Lease") with HANO. Under the Ground Lease, the Company is required to pay annual rent of \$5,000. In consideration of a \$41,979 lump sum payment from the Company on January 20, 2005, the payment obligations have been fully satisfied and discharged. Ground lease expense capitalized into construction in progress was \$943 for the period ending December 31, 2006. As of December 31, 2006, the prepaid ground lease was \$40,093.

GUSTE I, LLC
NOTES TO BALANCE SHEET
December 31, 2006

10. Low-income housing tax credits

The Company expects to generate an aggregate of \$5,238,940 of low-income housing tax credits ("Tax Credits"). Generally, such Tax Credits are expected to become available for use by the partners pro rata over a ten-year period, which is expected to begin in 2007. In order to qualify for these Tax Credits, the Project must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income tenants at rental rates, which do not exceed specified percentages of area median gross income for the first 15 years of operation. The Company has also agreed to maintain and operate the Project as low-income housing for another 15 years after that period ends. Because the Tax Credits are subject to certain compliance requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized and failure to meet all such requirements may result in generating less Tax Credits than expected.